

2. NATIONAL DEFENSE

Table 2-1. Federal Resources in Support of National Defense

(Dollar amounts in millions)

Function 050	1993 Actual	2001 Estimate	Percent Change: 1993-2001
Spending:			
Discretionary budget authority	276,109	311,030	13%
Mandatory outlays	-1,344	-418	-69%
Credit Activity:			
Direct loan disbursements		11	NA
Guaranteed loans		39	NA
Tax expenditures	2,115	2,160	2%

NA=Not applicable.

Since 1993, the Clinton-Gore Administration has sustained its commitment to supporting the world's strongest military force, capable of defending the United States, its citizens, and its allies, and protecting and advancing American interests and values around the world. Today, the United States is the sole remaining superpower in the world, with military capabilities unsurpassed by any Nation. The United States has sought to use that position of strength in a manner consistent with the fundamental values and ideals upon which our republic was founded. We have maintained a steadfast focus on simple goals—peace, shared prosperity, and freedom. The U.S. military, as the world's best trained and best equipped fighting force, provides the strength and leadership that serve as the foundation for regional peace and stability that allows us to share our goals with others around the globe. This has been demonstrated throughout the tenure of this Administration, most recently by the restoration of stability in Kosovo and during humanitarian relief and other contingency operations.

President Clinton took significant steps to ensure that our Nation's military is fully prepared to meet the challenges of this new century. The Administration strengthened our Nation's security by sustaining a commit-

ment to recruit, train, and equip the best fighting force that the world has ever known, one capable of defeating large-scale cross-border aggression in two distant theaters in overlapping timeframes. This was achieved by enhancing military readiness and operational capabilities, and supporting programs to take care of military personnel and their families from recruitment through retirement, including defense health programs. The Administration also prepared for the future by procuring effective and modern weapons systems and funding a strong and diverse research and development effort to maintain our technological advantage through the development of advanced weapons systems.

The Administration's efforts to shape the strategic landscape through continued deterrence, arms control agreements, such as the START agreements, and threat reduction assistance programs in Russia and other states of the former Soviet Union, has reduced the global danger from nuclear weapons and other weapons of mass destruction. The Department of Energy's (DOE's) national security program has maintained confidence in our nuclear stockpile deterrent and has significantly advanced the cleanup of radioactive waste from fifty years of weapons production.

Building a new Defense Strategy for the Post-Cold War World

The end of the Cold War left the United States armed forces with a strategy, force structure, and infrastructure no longer appropriate for the new security environment. Based on an in-depth assessment of the new security environment and rethinking of U.S. defense strategy, the Administration conducted a Bottom Up Review (BUR) in 1993 and restructured its forces to meet four key requirements:

- fight and win two nearly simultaneous major regional wars;
- conduct, in peacetime, a variety of operations short of a major regional conflict;
- maintain a strong forward presence; and,
- deter and prevent the use of weapons of mass destruction against U.S. territory, forces, and allies.

In an effort to better align U.S. military strategy, force structure, infrastructure, manning, and resource requirements, the Administration conducted the Quadrennial Defense Review (QDR) in 1997. This is the Department of Defense's (DOD's) strategic plan, which

was reviewed and approved by the President and the Congress. The QDR supported the BUR requirement to maintain the ability to fight two major-theater wars nearly simultaneously, and adopted a defense strategy of shaping the international environment to prevent conflict, responding to crises, and preparing for future threats. It also emphasized that it was in the Nation's interest to respond to small-scale contingency operations and address asymmetric threats such as information warfare, weapons of mass destruction, and terrorism. The QDR force structure is shown in Table 2-2.

Maintaining a Strong Defense

When this Administration took office, the DOD budget, as a result of the end of the Cold War, had already declined by 33 percent in real (after inflation) terms from its 1985 peak, when the drawdown started, and active military forces had been reduced by 25 percent. Today, our military forces and programs are sized to meet the threats and strategy addressed in both the BUR and QDR.

The Administration requested several significant increases in the defense budget to provide full support in the near term for

Table 2-2. U.S. Conventional Force Structure

	Cold War (1990)	2001	QDR Target (by 2003)
Land Forces:			
Army divisions (active/National Guard)	18/10	10/8	10/8
Marine Corps divisions (active/reserve)	3/1	3/1	3/1
Tactical Air Forces:			
Air Force fighter wings (active/reserve)	24/12	12+/7+	12+/8
Navy air wings (active/reserve)	13/2	10/1	10/1
Marine Corps wings	3/1	3/1	3/1
Naval Forces:			
Aircraft carriers (active/reserve)	15/1	12/0	11/1
Battle forces ships	546	317	306
Mobility Forces:			
Airlift (tactical/strategic)	513/432	526/335	478/329
Sealift (Surge/Ready Reserve Force)	69/102	67/76	78/90
Military Personnel:			
Active	2,069,000	1,382,242	1,367,600
Selected reserve	1,128,000	863,775	837,200

military readiness and quality of life, and to modernize our forces over the long term. These objectives—first outlined in the Defense Funding Initiative of December 1994—which added \$25 billion over five years—have remained the essential pillars of this Administration’s defense program.

The President’s approval of a six-year, \$112 billion increase for defense in the 2000 Budget furthered these efforts and represented the first long-term, sustained increases for defense programs in over a decade. That, and subsequent budget proposals, provided continued significant increases for military readiness programs to enhance our forces’ ability to respond immediately to crises; build for the future by increasing funding for weapons modernization programs; and, care for our military troops and their families by further enhancing quality of life programs. These efforts help ensure that the United States will be fully prepared to meet the security challenges of the 21st Century.

In addition, the Administration has placed great emphasis on managing our defense resources more efficiently by reforming and improving the management of defense programs. The Defense Reform Initiative increased the use of competitive sourcing and privatization, adopted best business practices through acquisition reform, and eliminated excess infrastructure through base realignments and closures. Other initiatives included streamlining of the civilian work force, improving financial management practices, and implementing information technology reforms.

Ensuring the Nation’s Security Through the Best Equipped, Best Trained, and Best Prepared Fighting Force in the World

Enhancing Military Readiness and Operations: Maintaining high levels of readiness has been this Administration’s top defense priority. Robust funding has been provided for training, spare parts, and weapons maintenance critical to unit readiness, and for recruiting and retaining quality personnel. In addition, in an effort to monitor current and future military readiness, the Administration has undertaken efforts to improve readiness reporting systems to ensure early identification of potential problems, and allow prompt

remedial action. To meet the diverse security challenges of the 21st Century, the Administration has undertaken initiatives to transform the Army into a more deployable force, restructure the Air Force into 10 flexibly-sized air expeditionary force units, and reduce the Navy’s operating costs and manning requirements through the Smart Ship Program. Greater use has also been made of National Guard and reserve forces and personnel to complement active duty forces.

Funding Contingency Operations: The U.S. military has protected U.S. interests through involvement in contingency operations such as Bosnia, Kosovo, and Iraq. To pay for these operations, the Administration consistently sought supplemental appropriations, including nearly \$4 billion in a 1999 request for Kosovo operations. These supplemental requests ensured that U.S. military forces remained at high levels of readiness as they participated in contingency operations. The Administration developed accurate cost projection methodologies which served to inform policy decisions. The Administration made special efforts to track the incremental costs of these operations, especially Kosovo, separately from traditional defense operations costs. The Administration also sought supplemental funding in advance, whenever possible, so that normal military activities would not be disrupted by diverting funds to cover contingency costs. It is true that U.S. military participation in contingency operations has been costly in terms of dollars, in part because the Congress has provided funding above the requested levels for items not directly related to these operations. However, costs of individual operations have come down as they have made progress toward their objectives. Moreover, the Administration has clearly advanced U.S. national security interests by helping to contain Iraq, stopping the bloodshed in the Balkans, strengthening the NATO alliance and demonstrating its continuing value.

Taking Care of Military Personnel and their Families from Recruitment through Retirement—including Defense Health Programs: In order to attract and retain high quality personnel and ensure that military compensation remains competitive with private sector pay, the Administration has consistently supported increases in military pay

and retirement benefits. The Administration has also provided significant enhancements to the quality of life of our military personnel and their families, including a compensation initiative to reduce service members' out-of-pocket costs for housing. This program, approved by the Congress in 2001, will reduce out-of-pocket costs for military personnel from 19 percent to 15 percent by 2001, and eliminate these costs entirely by 2005.

Additional quality of life improvements have been demonstrated by the tremendous decline in the number of military personnel on food stamps—a result of the Administration's consistent support for military pay increases. In 1991, 19,400 military personnel received food stamps; by 2000, this number had been reduced to 5,100. For 2001, the Administration submitted legislation designed to immediately eliminate military personnel dependence on food stamps by providing a military commissary benefit. Other quality of life improvements include a worldwide family support and communications program to ease the hardships of deployments and family separations, and the construction and improvement of child care centers, fitness centers, upgraded barracks, and family housing. Specifically, the Administration has moved aggressively to upgrade the inventory of Government-owned housing for military families and utilize private sector capital and expertise to provide new, modern privatized housing for military families. DOD has awarded contracts for the construction of about 5,600 housing units and issued solicitations for the construction of approximately another 22,000 units.

To reduce the costs of defense health programs, the Administration established a managed care approach to military health care known as TRICARE—now also available for Medicare-eligible military retirees for the first time. The Administration has also implemented special programs for active duty families stationed in remote areas of the country where health care may not be available.

Preparing for the Future by Modernizing Weapons Systems: The U.S. military is the best equipped fighting force in the world. Over the past eight years, the Administration has strongly supported a robust modernization program focused on the most advanced tech-

nologies to incorporate in future systems. This effort is critical to maintaining military forces capable of deterring and winning wars and successfully executing all contingency missions that may arise. Weapons modernization, including procurement of new systems, upgrades to existing systems, and development of new technologies to incorporate in future systems, has been a high priority for this Administration. The Administration's efforts in developing and procuring new systems have positioned the U.S. military to continue its unrivaled military superiority well into the 21st Century, as the discussion that follows highlight.

- **Ground Forces:** Over the past eight years, the Army developed new systems to improve warfighting capabilities, such as the Comanche helicopter and the Crusader howitzer, and upgraded existing systems such as the Apache helicopter and the Abrams tank to enhance operational readiness and improve capabilities. In addition, both the Army and the Marine Corps have developed a new light weight 155mm howitzer. The hallmark of the Army's modernization effort is its plan to transform itself into a more mobile and lethal force. The Army plans first to field a medium weight force between now and 2007 to provide greater combat power and mobility to units that deploy to hostile areas in the early stages of a conflict or to peace enforcement operations. In the long term, the Army plans to field an "objective force" that is lighter and more lethal than the current force by developing a Future Combat System (FCS). Ultimately, Army transformation will exploit technology advances anticipated in the FCS along with new operational concepts and organizational structures to maintain its battlefield superiority.

The Administration has funded the cornerstones of the Marine Corps' modernization program—the V-22 tilt-rotor aircraft and the Advanced Amphibious Assault Vehicle—to significantly enhance capability as well. Both programs, developed over the course of the last decade, will replace aging helicopters and tracked vehicles and increase the Marines' ability to execute their ship-to-shore and cross-country

movements with greater speed, range, and payload.

- **Naval Forces:** Since 1994, the Administration has funded several new classes of ships that will ensure U.S. naval superiority far into the future. These new classes include the LPD-17 amphibious ship, the Virginia Class attack submarine, and a new auxiliary support ship. The Administration also fully funded continued procurement of Nimitz class nuclear aircraft carriers, the backbone of the Navy's fleet, as well as Seawolf attack submarines, and DDG-51 class destroyers. The Administration provided funds to develop new technologies that will lead to procurement of next-generation systems including a new design nuclear aircraft carrier and the next generation surface combatant, known as DD-21, that will serve the Navy well into this century. The Administration has also supported programs that augment the fleet's warfighting capabilities and enable more cost-effective operation. Initiatives, such as Cooperative Engagement Capability and the Smart Ship program, take advantage of advances in information technology to deliver improved combat capabilities to our Navy while also reducing personnel and operations costs.
- **Tactical Aviation Forces:** Aviation force modernization has been an important part of the Administration's modernization program from the start. As a result of the President's efforts, the Navy's F/A-18E/F attack fighter and the Air Force's F-22 fighter are now in production, and the Joint Strike Fighter, a low-cost, stealthy, multiservice attack aircraft, is entering advanced development. These aircraft will ensure that U.S. troops will never have to fight under threat of enemy air attack.
- **Mobility Forces:** The Administration has aggressively pursued modernization of DOD's strategic airlift and sealift forces, which are vital to transporting U.S. forces where they are needed anywhere in the world. The Administration corrected serious problems it inherited in the C-17 airlift aircraft program and put the program on track. Recent operations in the Balkans proved the C-17's versatility in performing

a variety of airlift missions. The Department plans to purchase additional C-17s in coming years to ensure that U.S. mobility forces possess the maximum possible flexibility with which to face the uncertain world of the future. In addition, the Administration provided funding that enabled the Air Force to initiate a C-5 modernization program to ensure that they are capable of meeting the projected airlift requirements; and it funded procurement of a new class of sealift ships intended to expand the ability to transport large quantities of equipment around the world.

- **Tactical Munitions:** The Administration has pursued a munitions investment strategy to develop and procure weapons with revolutionary capabilities—such as precision accuracy, all-weather performance, U.S. Global Positioning System (GPS) guidance, and increased standoff range. America's role in NATO's victory in the Kosovo air war showcased the success of this strategy. The Joint Direct Attack Munition (JDAM), a GPS guidance kit which inexpensively transforms unguided bombs into accurate weapons with all-weather capability, is a revolutionary munition first procured during this Administration; the Air Force used JDAM to great effect in Kosovo. The Administration requested funds to improve the Navy's Tomahawk cruise missile, a "weapon of choice" against high-value, heavily-defended targets. The newer Tactical Tomahawk version will feature a number of improved capabilities, including in-flight re-targeting. The military Departments also initiated a mid-range Joint Air-to-Surface Standoff Missile which is now under development.
- **Space Systems:** The Administration made significant investments in space systems that are critical to supporting military operations worldwide. These systems will enhance military communications, positioning and navigation, missile detection and warning, and weather monitoring. The Administration's National Space Transportation policy sustained and revitalized U.S. space launch capabilities and led to development of the Evolved Expendable Launch Vehicles program to provide

more efficient, economical access to space. The Space Based Infra-red Satellites will replace the existing missile detection and warning satellite constellation. The Administration consolidated Department of Commerce and DOD programs into a single enhanced, polar-orbiting satellite system now in development to reduce the cost of acquiring and operating weather systems. Finally, the Administration formulated a national policy and strategic vision for the management and use of the GPS, and funded a modernization program for GPS that will significantly improve services for all users, both civil and military.

- **Missile Defense:** The Administration has invested in both ballistic missile defense technologies and theater missile defense systems that will defend against missiles directly threatening deployed United States and allied forces. The Administration has also been committed to the development of a limited National Missile Defense (NMD) system to counter the emerging ballistic missile threat from states of concern, and to working with Russia on any changes to the Anti-Ballistic Missile Treaty that may be required to deploy a limited NMD. The NMD system as a whole is not yet proven, and the President decided in September 2000 not to proceed with the deployment at this time. However, the Administration is continuing a program that represents the fastest, and most technologically mature path to achieving an effective NMD that can protect all 50 States against emerging threats.

Reducing the Global Danger from Nuclear Weapons and Other Weapons of Mass Destruction

Shaping the Strategic Landscape Through Deterrence, Arms Control, and Cooperative Threat Reduction: The President has remained firmly committed to maintaining a robust deterrent capability while reducing the threat from weapons of mass destruction (WMD) through arms control and cooperative threat reduction efforts with states of the former Soviet Union.

- President Clinton's budgets over the past eight years have maintained and improved the Nation's deterrent capability by selectively enhancing the current nuclear force. The largest program in this regard will modify the remaining four Trident nuclear submarines to enable them to carry the most accurate and longest range submarine launched ballistic missile. Other DOD efforts to maintain the strategic nuclear force include programs that support upgrades to intercontinental ballistic missiles and intercontinental bombers such as the B-2.
- DOE also plays a critical role in the nuclear deterrence mission. Following President Clinton's announcement in August 1995 that he would seek a "zero yield" Comprehensive Test Ban Treaty, which would ban any nuclear weapons test explosions, DOE implemented a science-based Stockpile Stewardship Program to ensure the safety and reliability of our nuclear deterrent. Through this program, which relies on non-nuclear test facilities and computer codes (rather than underground testing) to simulate nuclear explosions to predict the performance of the weapons, DOE has been able to annually certify the nuclear weapons stockpile as safe and reliable. The 2001 enacted level for this program is nearly \$5 billion. The Administration successfully negotiated the zero-yield Comprehensive Test Ban Treaty with the other nuclear powers and sent it to the Senate for ratification in September, 1997. It remains in the Senate awaiting ratification.

In addition, DOE made significant progress in reducing contamination at former weapons production facilities. Over the past eight years, DOE completed remedial action at more than 4,000 of the 9,700 areas of known hazardous or radioactive material contamination, including cleanup of some ecologically sensitive areas such as along the Columbia River in Washington and above the Snake River Plain Aquifer in Idaho.

- While investing in these force enhancements and the stockpile stewardship program, the Administration has simulta-

neously worked to lower the risks associated with WMD. To that end, the President has maintained arms control as a high priority of U.S. policy and implemented reductions under the Strategic Arms Reduction Treaty (START I), brought the START II treaty to the threshold of implementation (pending Senate approval), and laid the groundwork for even further reductions under a START III agreement. In addition, the Administration negotiated the passage in 1997 of the Chemical Weapons Convention to ban the worldwide production, storage, and use of chemical weapons. To date, the United States has destroyed 22 percent of its chemical weapons stockpile.

- The Administration's threat reduction assistance programs in Russia and other states of the former Soviet Union have steadily grown to nearly \$1.0 billion per year, and they have reaped significant benefits over the past eight years. Managed by DOD, DOE, and State, the programs mitigate the danger posed by WMD, the proliferation of their fissile material components, and the scientific expertise behind them. In 2001, DOD's Cooperative Threat Reduction (CTR) program accounted for about 48 percent of the total Administration threat reduction request while DOE's portion was about 37 percent and State's was 14 percent.

DOD funds support accelerated strategic arms reductions in Russia and states of

the former Soviet Union by dismantling and destroying strategic warheads, their delivery systems, and infrastructure. They also support WMD nonproliferation efforts by enhancing the safety, security, and control of nuclear weapons and fissile material components as well as chemical and biological munitions. Over the past eight years, CTR programs have supported deactivating over 5,000 nuclear warheads, destroying 17 strategic nuclear submarines and 405 intercontinental ballistic missiles (ICBMs), and eliminating 365 ICBM silos and 67 strategic bombers, while maintaining the fissile components of these weapons in a secure environment.

The Administration began eliminating United States surplus weapons-grade plutonium by conversion and immobilization, and negotiated a similar program to dispose of Russian surplus plutonium; improved the safety of 65 reactors at Soviet-designed nuclear power plants and assisted nine countries to adopt and implement internationally accepted nuclear safety programs; and, provided security and accounting upgrades to protect over 400 metric tons of weapons-grade nuclear material at dozens of Russian and former Soviet sites. The United States and Russia also concluded an agreement in 1993 under which Russia will sell to the United States low-enriched uranium (LEU) derived from 500 tons of highly enriched uranium (HEU) from dismantled former

Table 2-3. Strategic Forces

	Cold War (Pre-START)	Current (START I)	Projected (START II)
ICBMs			
Minuteman	950	500	500
Peacekeeper	50	50	0
TRIDENT Submarines	31	18	14
SLBMs	568	432	336
Heavy Bombers	324	97 ¹	97 ¹
Total Warheads	13,498	6,000 ²	3,500

¹ Excludes 93 B-1B bombers dedicated to conventional missions.

² Maximum number of warheads on delivery vehicles determined by "counting rules" established by each treaty.

Soviet Union nuclear weapons. To date, the U.S. Enrichment Corporation (the United States agent in these purchases) has purchased LEU fuel derived from about 6,000 nuclear weapons' worth of HEU.

State's programs also support proliferation prevention activities by engaging former weapons scientists to direct their efforts away from weapons programs to activities with civilian benefits, and by preventing the illicit transfer of WMD through implementation of effective export controls.

Meeting the Challenges of Unconventional Threats: The Administration has focused on meeting the challenge from emerging unconventional and asymmetric threats designed to offset U.S. superiority. The last decade has seen an increase in the frequency and severity of terrorist attacks on military forces and civilian targets, as well as the sophistication of emerging threats, such as WMD and information-based warfare. President Clinton has made defending the United States against such threats a top national security priority, and has sought to defend against these threats through diplomatic and military means abroad and increased preparedness at home. Over the past eight years, the President:

- Issued three Presidential Directives to combat terrorism and defend against WMD at home and abroad, and to protect the Nation's critical infrastructure from cyber attack. The Directives codified the roles and responsibilities of the many U.S. agencies involved in these missions.

- Appointed a National Coordinator for Security, Infrastructure Protection, and Counter-terrorism to coordinate the U.S. Government's efforts to confront emerging threats against Americans at home and abroad.
- Provided over \$11 billion across the Government in 2001—a funding increase of more than 40 percent since 1998—to combat terrorism, defend against WMD, and protect critical infrastructure. This funding included efforts to equip and train first responders in the Nation's 120 largest metropolitan areas to prepare for and defend against weapons of mass destruction; create the first ever civilian medical stockpile for WMD incidents; and, recruit and train cyber security personnel to protect the Federal Government's own critical infrastructure.

Reforming and Improving the Management of Defense Programs

Defense Management Initiatives: The Administration identified defense reform as a major DOD priority. In November 1997, the Department announced the Defense Reform Initiative (DRI), which adopted the best business practices used by industry. The goal was to improve these activities and to reduce the overhead burden that these support activities place on the defense budget. DOD has completed two-thirds of 54 separate Defense Reform Initiatives and the remainder are well underway. Since the DRI was launched, DOD has made progress in consolidating various defense organizations, streamlining its

Table 2-4. Overall Funding for Unconventional Threats

(Budget authority, in millions of dollars)

	Actual			2001 Estimate
	1998 ¹	1999	2000	
Combating Terrorism, excluding WMD	5,871	7,519	6,966	7,759
Defense Against WMD	645	1,238	1,454	1,552
Critical Infrastructure Protection	1,142	1,429	1,759	2,027
Total	7,658	10,186	10,179	11,338

¹ 1998 was the first year that data were available.

infrastructure, re-engineering its business practices, and competing more jobs with the private sector than ever before. DOD has projected that the work currently performed by approximately 150,000 positions will be bid against private sector firms by 2005, with projected savings of approximately \$7 billion. Savings that result from competition are being re-allocated to meet readiness and modernization needs.

- *Reforming the Acquisition System:* The Administration has also strongly supported efforts by DOD to reform the way it acquires weapon systems and services. Over the past eight years, DOD has reduced the amount of time it takes to field new weapon systems by 25 percent, saved millions of dollars in small purchases through the use of a Government-wide commercial purchase card, and, through the use of electronic commerce, reduced cumbersome paper transactions by 50 percent.
- *Reducing Infrastructure:* The reduction in the U.S. force structure made possible by the end of the Cold War has left DOD with more land and buildings than it needs to carry out its mission. The Administration inherited an established process, the Base Realignment and Closure Commission (BRAC), to remove this infrastructure from DOD's inventory. Since 1988, BRAC has closed or restructured 97 major military installations and hundreds of smaller ones (55 of these major installations since 1993). While this process is costly in the short term, it is an investment that leads to elimination of the cost of upkeep on unused buildings and yields operational efficiencies. By the end of 2001, BRAC will have more than paid for itself, saving a net of \$15 billion, and will save nearly \$6 billion annually thereafter. At the same time, the Administration has worked diligently to minimize the effect of moving jobs out of affected communities by providing technical support to community redevelopment efforts, and turning over land to reuse as quickly as possible. Although the reduction in total DOD infrastructure has been beneficial and despite the many efficiencies achieved, BRAC has not kept pace with the overall change in force structure. For the last several years,

the Administration requested additional BRAC rounds to allow for a further "right-sizing" of Defense infrastructure. This request, strongly endorsed by both internal DOD and external analysis, has failed to win congressional approval.

The Administration has also implemented an aggressive demolition program, and has recently widened the authority to lease out unneeded DOD buildings and land. These programs have helped to reduce costs without moving people, and have become particularly important given the failure of the Congress to pass the legislation needed to replicate the success of previous BRAC rounds.

- *Streamlining the Civilian Work Force:* Over the past eight years, DOD has used buyouts and early retirements to achieve a streamlined and more productive work force. During this time, the Department has shrunk its civilian work force by approximately 37 percent, roughly commensurate with the reduction in military forces. The Administration was able to achieve this result mainly by offering incentives to those eligible or nearly eligible for retirement. Providing these incentives reduced the need for reductions-in-force, and thus accomplished the downsizing and streamlining with a minimal amount of disruption or economic hardship. While using these transition initiatives to ease the way for the many workers who left the work force, the Administration has also supported pay and benefit increases for the remaining employees who continue to become a more productive work force.
- *Improving Financial Management:* DOD has made significant progress in reforming its financial management operations. The Defense Finance and Accounting Service (DFAS) is the Department's agent for accomplishing needed financial management reforms. DFAS has consolidated DOD's financial operations, significantly reduced the number of finance and accounting systems, established and implemented ambitious deployment schedules, and reengineered business practices to adopt best practices from both the private and Government sectors. For example, over 300

financial management field sites were reduced to just 26, saving about \$120 million annually; 324 finance and account systems were reduced to 76—with further reductions planned to achieve ultimately a 90-percent reduction; and, between 1993 and 1999, personnel levels at the DFAS decreased by 37 percent, from 31,000 personnel in 1993 to 19,500 personnel at the end of 1999. Since 1996, the DFAS has identified over 85 percent of its personnel in finance and accounting functions as available for public-private competition, and has committed to study over 6,000 positions for competitive outsourcing. To date, the DFAS has completed six competitions resulting in annual savings of over \$28 million.

- *Implementing the Information Technology Management Reform Act (ITMRA)*: Also known as the Clinger-Cohen Act, ITMRA is designed to help agencies improve mis-

sion performance by effectively using information technology. One example is the Global Command and Control System, which provides the seamless integration of Service capabilities necessary to conduct joint and multinational operations into the 21st Century. In October 2000, the U.S. Navy awarded an eight-year, \$6.95 billion Navy—Marine Corps Intranet (NMCI) contract for managing the Service's shore-based computing enterprise. NMCI represents one of the biggest technology outsourcing contracts ever. The DOD Chief Information Officer Council manages DOD's information technology budget and its command, control, and communications budget, and provides advice on ITMRA-related issues. In addition, DOD continues to restructure its work processes while applying modern technologies to maximize the performance of information systems, achieve a significant return on investment, cut costs, and produce measurable results.